

**Managed Risk Medical Insurance Board
Minutes of June 25, 2003, Meeting**

Board Members Present: Cliff Allenby, Areta Crowell, Ph.D., Virginia
Gotlieb, Sandra Hernández , M.D.

Ex Officio Members Present: Peter Harbage, Ed Mendoza

Staff Present: Lesley Cummings, Joyce Iseri, Laura Rosenthal,
Lorraine Brown, Irma Michel, Tom Williams, Kelli
Alten, Stuart Busby, Kim Elliott, JoAnne French,
Dennis Gilliam, Mauricio Leiva, Vallita Lewis, Janette
Lopez, Larry Lucero, Monica Martinez, Doug Skarr,
Sarah Soto-Taylor, Teresa Smanio, Alice Trujillo,
Mary Watanabe

The meeting was held at the State Personnel Board Auditorium in Sacramento.

Chairman Allenby called the meeting to order.

Chairman Allenby announced that ex officio Board member Peter Harbage is leaving state service. He presented Mr. Harbage with a plaque acknowledging his contributions to the Board and noted that he will be greatly missed. Lesley Cummings added that as MRMIB's contact at the California Health and Human Services Agency, Mr. Harbage had been extremely helpful and a pleasure to work with. She presented him with MRMIB memorabilia on behalf of MRMIB staff.

REVIEW AND APPROVAL OF MINUTES FROM MAY 21, 2003, MEETING

A motion was made and unanimously passed to approve the minutes of the May 21, 2003, Meeting.

LEGISLATIVE UPDATE

State Bill Summary

Teresa Smanio highlighted the bills that have changed since the last Board meeting. Joyce Iseri added that she and other MRMIB staff had met with sponsors of AB 373 to determine their intent regarding assignment of separate clinics for health and dental services. She will be meeting again with the sponsors to draft amendments to clarify the bill. Chairman Allenby asked if there were any questions or public comment on the bill summary; there were none.

AB 857 (Frommer)

Lesley Cummings reviewed an analysis of AB 857 (Frommer). This bill requires the Board to seek federal funding under the Federal Trade Act (the "Act") for high risk pools and allows displaced workers, as defined by the Act, to purchase coverage through the Managed Risk Medical Insurance Program (MRMIP) by taking a federal income tax credit. Chairman Allenby questioned whether high risk pool coverage is appropriate for displaced workers. Dr Hernández asked how the concept relates to COBRA. Ms. Cummings replied that if an employer still exists, the displaced worker could use the tax credit to pay for COBRA coverage. However, sometimes the worker would not have access to COBRA because his or her employer had gone out of business.

The Act provides \$40 million per federal fiscal year for two years for high risk pools. The deadline for the first year's appropriation was June 30, 2003, so the opportunity to apply for the first year has past. Mr. Allenby asked how many states have accessed the funding. Ms. Cummings said she believes approximately 17 to 20 states have already qualified, and a number of other states are in the process of making changes to state law in order to qualify.

Laura Rosenthal added that the legislation, written by the Centers for Medicaid and Medicare (CMS), is not a model of clarity. There are three funding years, 2002, 2003, and 2004, but California is only eligible for the last year, our fiscal year 2003-04. A one-time draw of funds could be used over two fiscal years, as long as we qualify as a high risk pool, as defined by CMS.

Ms. Cummings noted that MRMIP, as presently structured, is not a "qualified" risk pool and, thus is ineligible for federal funds. She reviewed the various changes MRMIP would have to make to meet federal requirements for "qualification" as a risk pool. These include:

1. Enrolling persons qualified for HIPAA coverage without requiring evidence of uninsurability and without subjecting such persons to waiting lists or waiting periods. Currently in California, the private market provides guaranteed coverage to HIPAA eligibles. Carriers are limited in the amount they can charge for premiums, and few are charging the maximum amounts allowed, subsidizing the difference. MRMIP enrolls HIPAA eligibles, but they have to provide proof of uninsurability and be placed on a waiting list like everyone else. It is estimated there are few HIPAA eligibles enrolled in MRMIP because the private sector offers more coverage and higher annual benefit caps at a lower premium. To qualify for funds, the state would have to revise present law to allow HIPAA eligibles to enroll on an entitlement basis. There are an estimated 21,000 people receiving HIPAA coverage now in the private market.
2. Having a mechanism in place to provide continued funding of losses after the federal program ends. There is a question whether MRMIB's capped appropriation could satisfy that requirement; and

3. Rates and benefits are required to be consistent with standards established by the NAIC Model Health Plan for Uninsurable Individuals Act. MRMIP's benefit cap might be a concern, as all other plans have higher benefit maximums.

Virginia Gotlieb asked what California's portion of the federal funds would be.

Ms. Cummings said MRMIP could receive between \$6 to 12 million. Ms. Gotlieb asked if there was a disadvantage coming in at the third year. Ms. Cummings responded that there was not and that a number of states are coming in during the third year.

Ms. Cummings presented several amendments to the bill for consideration if the legislature chose to enact AB 857. These included a sunset on any HIPAA changes to coincide with the availability of federal funds and a requirement that health plans pay the cost of any increases in the percentage of HIPAA eligibles in the pool.

Ms. Cummings then reviewed the bill's requirements concerning tax credit coverage for displaced workers. She noted that under the tax credit program, a pool also had to be "qualified." She also indicated that administrative costs could not exceed 1%.

Ms. Gotlieb asked if the 1% is reasonable, or would the state have to subsidize the administrative costs. Ms. Cummings replied that the state would have to subsidize the difference.

Dr. Areta Crowell asked how many people were estimated to be eligible and whether a purchasing pool mechanism was required to qualify a state for the tax credit.

Ms. Cummings replied an estimated 10,000 to 14,000 would qualify as displaced workers but it was not clear how many of these remained without employer coverage. She said that a pool was not required. She indicated that it may not be cost-effective to establish the coverage given the number who would be served, especially since the state does not qualify as a high risk pool pursuant to the Act's requirements. MRMIB would need additional staff at an estimated cost of \$270,000; the increase in the contract with Department of General Services (DGS) would be approximately \$25,000; and reprinting of brochures and handbooks would be approximately \$200,000. Additionally, the state would pay for any administrative costs that exceed the 1% cap.

Chairman Allenby asked for public comment on the bill. Steven Lindsey, with the California Health Insurance Underwriters, said they have been actively working to bring the federal high risk funds to California. He agreed that MRMIP was not the logical place for the tax credit program and said that his association and the administration had been working with carriers directly to deal with the tax credit issue.

Regarding the high risk pool funds, Mr. Lindsey stated that while the federal legislation provided only two years of appropriation, it seemed extremely likely that the program would be extended. It is a popular program in Washington and extension has strong bi-partisan support. He supported staff's suggestion for a sunset tied to the availability of federal funding, but expressed concern about the political viability of requiring plans to pay for any increases in pool costs associated with HIPAA eligibles.

Mr. Lindsey said that a number of states have high risk pools as the only coverage for HIPAA eligibles and that the federal government is clearly supportive of using this mechanism to cover HIPAA eligibles. California took a different approach by placing the requirement for coverage on the private sector and putting caps on what carriers could charge for the coverage. He believes that few HIPAA eligible persons would chose to get their coverage from the pool (as opposed to maintaining their private coverage) because of benefit design issues and that funding available from the federal government could be used to offset the costs of any HIPAA eligibles in the pool without using state funds.

Ms. Cummings noted that California is in a unique situation in that it is the only state with a capped appropriation that has also employed a private sector approach to covering HIPAA eligibles. Mr. Lindsey added that some plans had offered letters of support for AB 857.

Chairman Allenby expressed the view that federal requirements to obtain the high risk funds were making the system awfully complex. He asked staff to report to the Board again on this bill. He said the bottom line is cost versus benefit. Dr. Crowell asked that the Board be kept informed over the summer. She expressed concern that the deadline may pass before the next Board meeting. Chairman Allenby asked if there were any further questions or public comment; there were none.

AB 1524 (Richman)

Teresa Smanio presented an analysis of AB 1524. The bill allows counties to provide coverage to persons 19 years or older who are parents of children in the Healthy Families Program (HFP), and whose income is below 200% of federal poverty level. The expansion would be funded by means of the approach established under AB 495. However, the expansion would only be implemented if the HFP program were fully funded, the state's HFP parental expansion (if implemented) were funded, the funds were not needed for children's coverage under AB 495, and the funds came from federal SCHIP funds that would otherwise revert to the federal government.

Mr. Allenby asked if the order of priority for funding would be HFP, then AB 495, and then AB 1524. Ms. Cummings responded that if MRMIB did parental expansion, that would supersede AB 1524.

The MRMIB analysis contained recommendations to conform AB 1425 to AB 1130, a measure to fine-tune AB 495. Among other suggested amendments, the analysis recommended that funding come from surplus SCHIP funds that are not scheduled for reversion.

Ms. Cummings presented charts to the Board detailing the availability of federal funds by year. Dr. Crowell noted that, in theory, there is no surplus after the parental expansion is implemented. Ms. Cummings said she just returned from Washington, D.C., and the National Governors Association said the legislation to retain funds that

have been reverted to the federal government would provide California with \$300 million over the next two years. California is not spending all of its allocation on children's enrollment until the later years of the program. AB 1524 would use some of the unspent federal funds by allowing counties to enroll parents. Dr. Crowell noted that it means the money would not be spent on eligible children.

Dr. Hernández asked when parental expansion would take place. Ms. Cummings replied that the governor's budget said July 2006. Ms. Rosenthal stated that AB 1130 and language in the Health Trailer Bill would allow the legislature to appropriate funds for AB 495's purposes even without reversions. Ms. Gotlieb asked if AB 495 is likely to grow given the fiscal restraints on counties. Ms. Cummings said she thought it would. She said Janette Lopez is the staff person working with the counties regarding AB 495 and suggested that Janette present her AB 495 update next, given the Board's interest.

Agenda item 5.e was taken next.

HEALTHY FAMILY PROGRAM (HFP) UPDATE

AB 495 Update and Authorization of Contracts with Applicants for County-based Children's Health Programs

Janette Lopez reported to the Board on the status of AB 495 proposals and State Plan Amendments (SPAs). The Board had received a significant number of calls showing interest in the AB 495 process and it has a lot of momentum. MRMIB is working with eight counties on the proposals that have been submitted to date. MRMIB will be posting an AB 495 update on its website at www.MRMIB.ca.gov soon. At least 20 counties are looking at developing a children's expansion program. The Prop 10 Commission is helping fund coverage for the 0-to-5 population. Dr. Hernández asked if Prop 10 funds were considered state money. Ms. Cummings replied that funds from the state commission would be state, while funds from the local commissions would be local.

MRMIB has submitted a SPA on four counties' expansion proposals to CMS (Alameda Alliance for Health and/or Alameda County, San Mateo County Health Services Agency and/or San Mateo County, Santa Clara County Health Authority and/or Santa Clara County, City and County of San Francisco). CMS asked many questions about the proposals, including topics such as benefits, premiums, and copays. CMS particularly wanted to know how the proposals differed from HFP standards. Staff is in the process of preparing a response to these questions. CMS also submitted a second round of questions questioning whether plans were a public entity, and the sources of funding for the local match. Dr. Hernández asked what the concern was about public entities. Ms. Cummings replied that CMS appears to have taken the view that local health plans are not government entities as they do not have the powers of government (such as taxing). CMS is therefore concerned that the source of funding for any local match comes from a "real" government entity and that it represents a genuine expenditure (as opposed to a reimbursement of costs). Dr. Hernández noted that local initiatives were

created by resolution of their board of supervisors and suggested that this area seemed a more useful place for staff effort than in pursuing the federal high risk pool and tax credit funds.

Ms. Lopez then briefly described AB 1130 (Diaz), clean-up legislation for AB 495, that provides appropriation authority for 2002-03 and allows the legislature to appropriate federal funding for AB 495 projects beyond reversion funds.

Ms. Lopez noted that since the Board is not meeting in July or August, it is conceivable CMS approval could be granted for the projects before the Board meets again. Once the projects are approved, MRMIB would need to enter into contracts for administrative services, enrollment and tracking of eligible children, and preparation of necessary reports. Thus, staff is requesting that the Board adopt resolutions authorizing the Executive Director or her authorized designee to enter into a contract in an amount to be determined, for the term July 1, 2003, to June 30, 2004, with each of the following entities:

1. Alameda Alliance for Health and/or Alameda County
2. San Mateo County Health Services Agency and/or San Mateo County
3. Santa Clara County Health Authority and/or Santa Clara County
4. City and County of San Francisco

A motion was made and unanimously passed adopting the four resolutions specified above. Chairman Allenby asked if there were any questions or public comment; there were none.

APPROVAL OF VENDOR FOR ACUTARY CONTRACT

Dennis Gilliam presented the Board with an evaluation of the proposals received for the actuarial consultant contract and a staff recommendation for the winning bidder. The contract is for a three-year period beginning August 2003. The current contract with PricewaterhouseCoopers expires July 31, 2003.

A solicitation package was sent to 18 potential bidders. Three firms were represented at the bidders' conference on April 9, 2003. By the May 6, 2003, deadline, the Board received two proposals: one from PricewaterhouseCoopers, the incumbent, and the other from Milliman, USA. Mr. Gilliam briefly reviewed the three selection criteria used, and the nine qualifications required. He then reviewed the how the bidders' proposals satisfied the criteria and qualifications and announced that staff were recommending that the Board contract with PriceWaterhouseCoopers.

Dr. Crowell asked how staff could ensure that costs would be kept under control given that the contractor would be paid per assigned task. Joyce Iseri indicated that staff receives an estimate of hours prior to authorizing a given task. Ms. Cummings explained that past experience with PricewaterhouseCoopers has shown that it stays within the estimate, and is open to reducing costs by having MRMIB staff do some of

the work. Ms. Gottlieb asked why PwC had a higher COLA than Milliman. Mr. Gilliam responded that the increase in hourly rate was due to the higher cost of professional liability insurance. Ms. Gottlieb asked about changes PwC had proposed to language concerning the Department of General Services. Laura Rosenthal responded that both contractors had initially proposed language inconsistent with DGS requirements, but a satisfactory conclusion had been reached with each during the negotiation process. Ms. Gottlieb asked about any other areas of concern in the negotiation process. Ms. Rosenthal indicated that the area of state indemnification had been a concern, but that staff had adhered to DGS guidelines in resolving the issue with bidders. Chairman Allenby suggested that his experience had shown that it is important to change actuaries periodically to provide new perspectives and engagement in issues.

Mr. Gilliam thanked Stuart Busby, Don Minnich, Mary Watanabe, Gina Van Nes, and other staff for the assistance provided during the process.

A motion was made and unanimously passed adopting the resolution authorizing the Executive Director or her authorized designee to enter into a contract with PricewaterhouseCoopers. Chairman Allenby asked if there were any questions or public comment; there were none.

HIPAA CONSULTANT CONTRACT UPDATE

Doug Skarr reported that MRMIB received \$150,000 from California Office of HIPAA Implementation (CAL OHI) to help MRMIB comply with HIPAA by the deadline of October 2003. He went over the pertinent services to be provided by the contract and the progress to date. He said staff will begin the necessary tasks in order to become compliant this year.

Dr. Hernández asked if there was money in the budget to address any areas not in compliance after we have gone through the process. Ms Cummings replied that no money has been set aside for that purpose. Joyce Iseri added that federal funds are available to match most of the \$150,000 so MRMIB will be able to purchase additional consulting assistance if needed. Chairman Allenby asked if this included training. Ms. Iseri replied that staff has already been trained in HIPAA. Chairman Allenby asked if there were any questions or public comment; there were none.

HEALTHY FAMILIES PROGRAM (HFP) UPDATE

Enrollment and Reports

Larry Lucero reported there were 681,417 children enrolled in HFP as of June 24, 2003. He briefly reviewed enrollment data that included the ethnicity and gender of the subscribers, and the top five counties in enrollment. He said Single Point of Entry (SPE) reached a milestone of over one million cumulative applications since 1999.

Ed Mendoza asked if MRMIB staff were aware of the percentage of enrollment (compared to eligibles) of the eligible children in the top five counties. Ms. Cummings replied that staff had obtained this information for the state as a whole from the California Health Information Survey (CHIS), but did not have the data by county. Several hundred thousand children have been enrolled in HFP since the CHIS survey was completed in 2001—and the economy has changed significantly as well since then. CHIS is in the process of updating the survey now. Mr. Harbage noted that CHIS occurs on a two-year cycle, and CPS data is not as strong. Chairman Allenby added the statistics may be a little too uncertain, and there could be a variety of reasons for the differences from county to county. Dr. Crowell noted that some counties do better than others, and thanked staff for forwarding a report on the number of uninsured children by district. She said it could be more meaningful to assess by region rather than by county. Ms. Cummings noted the lack of funds for outreach is an issue. Mr. Allenby said it would be a valuable goal for charities to provide outreach in certain districts. Dr. Hernández added that it would be helpful if charities knew where to target their efforts.

Chairman Allenby asked if there were any questions or public comment; there were none.

Administrative Vendor Performance Report

Irma Michel presented the Administrative Vendor Performance Report for May 2003. Electronic Data Systems (EDS) is the administrative vendor for HFP and SPE. EDS met all seven performance standards for HFP and three of the four performance standards for SPE. The line abandon rate for SPE exceeded the allowable maximum. She introduced Dennis Price from EDS, who explained that the drop was due to the fact that when the Board announced the award of the administrative vendor contract to another bidder EDS's call center lost temporary staff. As soon as EDS noticed the problem, it took immediate steps to remedy the situation by doubling the hiring rate, providing training on a daily basis instead of monthly, and developing a plan to retain staff for the duration of the contract. They have been back up to standard since June 7.

Administrative Vendor Transition Status

Ms. Cummings presented a workplan showing major milestones and deliverables associated with the administrative vendor transition. Staff has been meeting regularly with Maximus to begin working on transition issues. Maximus has already leased a building and hired key personnel. She introduced Randy Fritz from Maximus. Mr. Fritz noted that the workplan Ms. Cummings presented is a summary of a much more detailed workplan that MRMIB and Maximus had agreed to. Ms. Cummings indicated that future versions of the workplan would also include responsibilities of EDS.

Mr. Fritz reported that Maximus has been working hard to get off to a good start. The transition team they put together is comprised of individuals from all over the country who are highly experienced with Medicare, SCHIP, collection of child support for

payment of premiums, and system development. There is still a lot of information they need, and they are working with DHS and EDS in addition to MRMIB staff to get up to speed. They enjoy working with MRMIB staff and have found them to be phenomenal in the details of specific information needed to get the transition going. They are on track to begin systems testing in September.

Dr. Crowell asked that the Board continue to receive monthly updates including the months when the Board does not meet. She noted in the workplan the date for assuming HFP and SPE should read January 1, 2004, not 2003. She asked who had access to the project website. Mr. Fritz said it was limited to the transition teams, but the Board could be added. Dr. Crowell asked how many staff had been hired, where they were housed and if they would be able to meet the December 1 deadline. Mr. Fritz replied that 20 people are on the systems team, five or six of whom are leaders. They currently occupy space at the HCO site in Rancho Cordova. They are very confident with the progress of their facility. The building they leased is already finished and basically functional, with the exception of some data needs and wiring. It will be ready in September.

Ms. Cummings acknowledged that the transition is dependent upon all parties working together well. She thanked EDS for their cooperation. Mr. Fritz commended EDS for their professionalism and said he would include their milestones in the workplan.

Chairman Allenby asked if there were any questions or public comment; there were none.

Advisory Panel Vacancies

Irma Michel presented the staff's nomination of Martha Jazo-Bajet, RN, MPH, to fill the Health Plan Community Representative vacancy on the HFP Advisory Panel. Dr. Crowell made a motion to appoint Ms. Jazo-Bajet. The motion was unanimously passed. Dr. Crowell said Ms. Jazo-Bajet's resumé was very impressive and that she would be a wonderful addition to the Advisory Panel. She said she had really appreciated the opportunity to review Ms. Jazo-Bajet's resumé. Ms. Michel said staff will be making a nomination at the next Board meeting to fill the one remaining vacancy.

Interagency Agreement With University of California for Evaluation of Oral Health Demonstration Project

Mauricio Leiva requested Board approval of a resolution authorizing the Executive Director to enter into a three-year agreement with University of California, San Francisco (UCSF), School of Medicine, Institute for Health Policy Studies to provide specific services related to the evaluation of the Oral Health Demonstration Project. The contract amount shall not exceed \$500,000 during the term, with approximately \$58,000 per year provided by Proposition 10, and the remaining funds provided by a federal match.

Dr. Crowell made a motion to approve the contract. The motion was passed by a vote of three out of four members. Dr. Hernández abstained because she is on the faculty at UCSF.

Chairman Allenby asked if there were any questions or public comment; there were none.

Board Determination of Necessity Under Government Code Section 11125.3(a); and Interagency Agreement on Contract for Oversight of Data Conversion and System Procedures in Administrative Vendor Transition

Chairman Allenby announced a finding of the Board pursuant to Government Code section 11125.3(a) for a need to take action subsequent to the posting of the agenda for the meeting. Ms. Cummings said that after the agenda was mailed she became aware that MRMIB would need to obtain its own expertise to assist with the transition of data from EDS to Maximus. EDS uses a mainframe and Maximus utilizes client served-based systems.

A motion was made and unanimously passed pursuant to Government Code section 11125.3(a) that the Board has determined a need to take immediate action and that this need came to MRMIB's attention after the agenda was mailed. A motion was then made, and unanimously passed, adopting a resolution authorizing the Executive Director or her authorized designee to enter into a contract in the amount of \$40,000 for a term to be determined for consulting services relating to the conversion to new administrative vendor for HFP, SPE, and AIM.

Dr. Crowell remarked that she would like the agenda to routinely reflect updates on the outreach working group and the quality improvement workgroup.

ACCESS FOR INFANTS AND MOTHER (AIM) UPDATE

Enrollment Report

Larry Lucero presented the AIM subscriber data for June 2003. There are currently 5,029 mothers and 9,975 infants enrolled in the program. Mr. Lucero briefly reviewed enrollment data that included ethnicity and the counties with the highest percentage of enrollment. Dr. Hernández asked if the statistics on gender of infants are similar to HFP. Mr. Lucero said that statistic was not immediately available, but that staff would provide it at the next Board meeting. Chairman Allenby asked if there were any questions or public comment; there were none.

Fiscal Report

Stuart Busby presented the AIM fiscal summary. For the period from July 1, 2002, through May 31, 2003, available revenues were \$94,891,000, and total expenditures

were \$85,891,014. Chairman Allenby asked if there were any questions or public comment; there were none.

MAJOR RISK MEDICAL INSURANCE PROGRAM (MRMIP) UPDATE

Enrollment Report

Mr. Lucero presented the MRMIP data for June 2003. There are 16,288 people enrolled in the program of whom 3,085 were newly enrolled during fiscal year 2002-03. He briefly reviewed the percentage of enrollment by counties, age, gender, and ethnicity. As of June 18, 2003, there are 108 on the waiting list. Chairman Allenby asked if there were any questions or public comment; there were none.

Fiscal Report

Stuart Busby presented the MRMIP fiscal summary. For the period from July 1, 2003, through April 30, 2003, program expenditures were \$110,602,606. Chairman Allenby asked if there were any questions or public comment; there were none.

The meeting was recessed for the executive session.

Chairman Allenby reconvened the meeting. There being no further business to come before the Board, the meeting was adjourned.